



To: See attached distribution list

November 14, 2016  
File No.: 17-01-INFRA  
354839

From: Chris D. Brown  
Assistant Deputy Minister  
Internal Audit & Advisory Services

Re: 2016/17 Review of Transfers Under Agreement

We are pleased to provide you with our report on the 2016/17 Review of Funding Transfers Under Agreement made under the Building Canada Fund – Communities Component (BCF-CC). Under the BCF-CC Agreement, both the provincial and federal governments have committed \$136 million each (2/3 of the total cost) in support of local government infrastructure projects to communities with populations of less than 100,000 people.

The purpose of this engagement was to provide reasonable assurance to the ministries' executive that individual project costs financed under the program comply with the terms and conditions of the agreement and that all project costs are supported by appropriate documentation.

The Ministry of Transportation and Infrastructure, in conjunction with the Ministry of Community, Sport and Cultural Development, requested Internal Audit & Advisory Services review seven projects from the 2016/17 fiscal year. The claims that have been processed and paid as well as pending claims for the seven projects, which were funded under the BCF-CC program, were reviewed during the period from July to September 2016.

Total claims of \$31,062,995 were examined and there was a high degree of compliance with program eligibility requirements across the seven projects. Two errors were identified resulting in ineligible expenditures of \$20,345.84 which represents 0.07% of the total claim amount reviewed. The net amount to be recovered by the ministries is \$12,142.88.

Please find detailed observations and recommendations below, along with the list of projects selected for review in Appendix 1.

## Observations and Recommendations

The following proponents claimed an invoice which was subsequently revised. The difference between the original invoice and revised invoice was not adjusted in the subsequent claims resulting in an over claim.

- Regional District of Okanagan-Similkameen – West Bench Improvement Treated Water Supply & Upgrade (Project #22426) – \$6,550.52 (Appendix 2) (2/3 Fed/Prov. \$2,946.00).
- Dewdney Area Improvement District – Construction of Hatzic Pump Station (Project #41708) – \$13,795.32 (2/3 Fed/Prov. \$9,196.88).

The above errors have been communicated and agreed with the proponents.

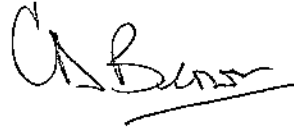
### Recommendations:

1. **The Ministry of Community, Sport and Cultural Development should recover \$2,946.00 from Regional District of Okanagan-Similkameen.**
2. **The Ministry of Transportation and Infrastructure should recover \$9,196.88 from Dewdney Area Improvement District.**

### Detailed Action Plan

Rec. #	Recommendations	Management Comments to be Included in Report (Action Planned or Taken)	Assigned To	Target Date
1.	The Ministry of Community, Sport and Cultural Development should recover \$2,946.00 from Regional District of Okanagan-Similkameen.	The Ministry of Community, Sport and Cultural Development has received additional invoices from the Regional District of Okanagan-Similkameen for eligible project expenses not originally claimed. As the Regional District has sufficient other eligible project expenses to offset the over claim, there is no need for repayment.	MCSCD	Completed
2.	The Ministry of Transportation and Infrastructure should recover \$9,196.88 from Dewdney Area Improvement District.	The Ministry of Transportation and Infrastructure (Emergency Management BC) has contacted the Dewdney Area Improvement District and will recover \$9,196.88.	MOTI	January 31, 2017

We would like to thank the management and staff of the Ministry of Transportation and Infrastructure and the Ministry of Community, Sport and Cultural Development, as well as the representatives of the projects we reviewed, for their assistance and cooperation throughout this review.

A handwritten signature in black ink, appearing to read "C. Brown", with a horizontal line underneath.

Chris D. Brown, CPA, CA, CIA  
Assistant Deputy Minister  
Internal Audit & Advisory Services

Attachments

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## Appendix 1 – List of Projects Selected for Review

Program	Project #	Proponent	Project Name	Total Eligible Costs	Funding (Fed + Prov)	Ministry
BCF-CC	41708	Dewdney Area Improvement District (Mission)	Hatzic Pump Station Construction	\$3,754,974	\$2,503,298	MOTI Flood
BCF-CC	44892	City of Langford	Willing Park Stormwater	\$1,098,399	\$732,266	MOTI Flood
BCF-CC	44885	District of Hope	Wastewater Treatment Plant	\$461,160	\$307,440	MOTI Flood
BCF-CC	44894	City of Prince George	Slope Erosion	\$1,187,000	\$791,332	MOTI Flood
BCF-CC	22426	Okanagan-Similkameen Regional District (Penticton)	West Bench Improvement District Treated Water Supply and Upgrade	\$5,070,000	\$3,380,000	MCSCD
BCF-CC	22653	Sunshine Coast Regional District (Pender Harbour)	South Pender Harbour Water Treatment Plant	\$6,090,000	\$4,060,000	MCSCD
BCF-CC	22511	City of Nanaimo	South Fork Water Treatment Plant	\$26,739,129	\$17,826,086	MCSCD
<b>Total</b>				<u>\$44,400,662</u>	<u>\$29,600,422</u>	

**Claims reviewed**      \$31,062,995      70%

**Appendix 2 – Regional District of Okanagan-Similkameen – West Bench  
Improvement Treated Water Supply & Upgrade (Project #22426)**

The supplier invoice was revised with net eligible costs reduced from \$42,893.23 to \$36,342.71, representing a difference of \$6,550.52. This results in a net over claim amount of \$4,418.00 as calculated below:

Total net eligible claim amount	\$5,072,133
Less: Revised invoice adjusted amount	(6,551)
Total adjusted net eligible claim amount	5,065,582
Less: Total eligible costs	5,070,000
Net over claim amount	\$ 4,418
2/3 Fed/Prov.	\$2,946